

# **CEYLON BREWERY PLC**

Interim Report

Second Quarter  
Six months ended 30th September, 2009

**2**

# Board of Directors

L.C.R. de C. Wijetunge (*Chairman*)

Hari Selvanathan (*Deputy Chairman*)

Mano Selvanathan

Suresh K. Shah (*Chief Executive Officer*)

D.C.R. Gunawardena

# Income Statement - Company

*In Sri Lankan Rs. '000s*

	Quarter ended <b>30.09.2009</b>	Quarter ended 30.09.2008	Change %	Six Months ended <b>30.09.2009</b>	Six Months ended 30.09.2008	Change %	Year Ended 31.03.2009 (Audited)
<b>Revenue</b>	<b>28,567</b>	27,990	2	<b>59,182</b>	56,498	5	114,416
Cost of sales	-	-	-	-	-	-	-
<b>Gross profit</b>	<b>28,567</b>	27,990	2	<b>59,182</b>	56,498	5	114,416
Other operating income	-	-	-	-	-	-	-
	<b>28,567</b>	27,990	2	<b>59,182</b>	56,498	5	114,416
<b>Indirect Operating Expenses</b>							
Administrative expenses	<b>(1,171)</b>	(1,688)	(31)	<b>(2,765)</b>	(4,760)	(42)	(12,745)
Other operating expenses	-	-	-	-	-	-	(1,907)
<b>Profit from operations</b>	<b>27,396</b>	26,302	4	<b>56,417</b>	51,738	9	99,764
Finance expenses	<b>(2,005)</b>	(105)	1,809	<b>(2,050)</b>	(191)	973	(250)
<b>Profit before taxation</b>	<b>25,391</b>	26,197	(3)	<b>54,367</b>	51,547	5	99,514
Taxation	<b>(5,609)</b>	(5,857)	(4)	<b>(12,513)</b>	(11,990)	4	(22,269)
<b>Profit after taxation</b>	<b>19,782</b>	20,340	(3)	<b>41,854</b>	39,557	6	77,245
<b>Earnings per ordinary share (Rs.)</b>	<b>0.94</b>	0.97		<b>1.99</b>	1.88		3.68
<b>Dividends per ordinary share (Rs.)</b>	-	-		<b>3.00</b>	3.00		3.00

The above figures are provisional and subject to audit.

Change % represents the percentage change in the current year results compared to the comparative period.

*Figures in brackets indicate deductions/negative changes.*

# Income Statement - Group

<i>In Sri Lankan Rs. '000s</i>	Quarter ended <b>30.09.2009</b>	Quarter ended 30.09.2008	Change %	Six Months ended <b>30.09.2009</b>	Six Months ended 30.09.2008	Change %	Year Ended 31.03.2009 (Audited)
<b>Revenue</b>	<b>1,944,608</b>	1,556,140	25	<b>3,674,053</b>	2,930,940	25	6,240,851
Cost of sales	<b>(1,290,677)</b>	(1,089,490)	18	<b>(2,496,467)</b>	(2,045,011)	22	(4,229,539)
<b>Gross profit</b>	<b>653,931</b>	466,650	40	<b>1,177,586</b>	885,929	33	2,011,312
Other operating income	<b>3,064</b>	–	100	<b>3,423</b>	326	950	2,228
	<b>656,995</b>	466,650	41	<b>1,181,009</b>	886,255	33	2,013,540
<b>Indirect Operating Expenses</b>							
Distribution costs	<b>(273,240)</b>	(272,935)	–	<b>(532,266)</b>	(515,125)	3	(1,097,205)
Administrative expenses	<b>(98,597)</b>	(80,697)	22	<b>(175,282)</b>	(147,395)	19	(310,530)
Other operating expenses	<b>(28,024)</b>	(24,420)	15	<b>(45,192)</b>	(42,369)	7	(96,768)
<b>Profit from operations</b>	<b>257,134</b>	88,598	190	<b>428,269</b>	181,366	136	509,037
Finance costs	<b>(76,646)</b>	(92,844)	(17)	<b>(171,664)</b>	(179,858)	(5)	(378,158)
<b>(Loss)/Profit before taxation</b>	<b>180,488</b>	(4,246)	4,351	<b>256,605</b>	1,508	16,916	130,879
Taxation	<b>(2,223)</b>	(3,682)	(40)	<b>(549)</b>	(7,587)	(93)	(15,345)
<b>(Loss)/Profit after taxation</b>	<b>178,265</b>	(7,928)	2,349	<b>256,056</b>	(6,079)	4,312	115,534
<b>(Loss)/Profit Attributable to</b>							
Equity holders of the Company	<b>100,711</b>	5,961	1,590	<b>149,344</b>	15,630	856	93,187
Minority shareholders	<b>77,554</b>	(13,889)	658	<b>106,712</b>	(21,708)	592	22,347
	<b>178,265</b>	(7,928)		<b>256,056</b>	(6,079)		115,534
<b>Earnings per ordinary share (Rs.)</b>	<b>4.80</b>	0.28		<b>7.12</b>	0.74		4.44
<b>Dividends per ordinary share (Rs.)</b>	<b>–</b>	–		<b>3.00</b>	3.00		3.00

The above figures are provisional and subject to audit.

Change % represents the percentage change in the current year results compared to the comparative period.

*Figures in brackets indicate deductions/negative changes.*

# Balance Sheets

In Sri Lankan Rs. '000s

As at 30th September

	Company			Group		
	2009	2008	31.03.2009 (Audited)	2009	2008	31.03.2009 (Audited)
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant & equipment	7,584	7,693	7,639	2,402,561	2,349,386	2,409,011
Intangible assets	-	-	-	51,608	33,472	57,337
Investment in subsidiary	1,471,294	866,362	866,362	-	-	-
Long-term investments	-	-	-	1,318,827	961,043	1,091,677
<b>Total non-current assets</b>	<b>1,478,878</b>	<b>874,055</b>	<b>874,001</b>	<b>3,772,996</b>	<b>3,343,902</b>	<b>3,558,025</b>
<b>Current Assets</b>						
Inventories	-	-	-	795,588	900,696	923,135
Trade and other receivables	2,154	31,223	2,516	1,050,806	1,026,259	1,022,904
Amounts due from related companies	44,329	91,867	15,072	-	-	-
Cash and cash equivalents	8,370	24,439	165,120	123,913	189,573	239,410
<b>Total current assets</b>	<b>54,853</b>	<b>147,529</b>	<b>182,708</b>	<b>1,970,307</b>	<b>2,116,528</b>	<b>2,185,449</b>
<b>Total assets</b>	<b>1,533,731</b>	<b>1,021,584</b>	<b>1,056,709</b>	<b>5,743,303</b>	<b>5,460,429</b>	<b>5,743,474</b>
<b>EQUITY &amp; LIABILITIES</b>						
<b>Equity</b>						
Stated capital	533,384	533,384	533,384	533,384	533,384	533,384
Capital reserves	8,943	8,911	8,927	126,173	126,066	126,119
Revenue reserve	479,114	462,536	500,224	879,421	715,474	793,044
<b>Equity Attributable to Equity Holders of the Company</b>	<b>1,021,441</b>	<b>1,004,831</b>	<b>1,042,535</b>	<b>1,538,978</b>	<b>1,374,924</b>	<b>1,452,547</b>
Minority interest	-	-	-	1,609,946	864,029	908,131
<b>Total Equity</b>	<b>1,021,441</b>	<b>1,004,831</b>	<b>1,042,535</b>	<b>3,148,924</b>	<b>2,238,952</b>	<b>2,360,678</b>
<b>Non-Current Liabilities</b>						
Payables due after one year	120,000	-	-	760,443	579,033	626,824
Retirement benefit obligation	-	-	-	30,912	20,959	28,905
Deferred taxation	1,542	2,276	1,329	399,606	413,615	411,433
<b>Total non-current liabilities</b>	<b>121,542</b>	<b>2,276</b>	<b>1,329</b>	<b>1,190,961</b>	<b>1,013,607</b>	<b>1,067,162</b>
<b>Current Liabilities</b>						
Trade & other payables	12,477	6,982	7,304	172,376	244,300	180,702
Amounts due to related companies	-	-	-	47,421	35,091	92,731
Current taxation	7,913	7,260	5,541	369,631	283,033	335,160
Long-term loans repayable within one year	30,000	-	-	40,687	86,402	37,447
Short-term loans	-	-	-	-	574,900	400,000
Bank overdrafts	340,358	234	-	773,303	984,143	1,269,594
<b>Total current liabilities</b>	<b>390,748</b>	<b>14,477</b>	<b>12,845</b>	<b>1,403,418</b>	<b>2,207,869</b>	<b>2,315,634</b>
<b>Total liabilities</b>	<b>512,290</b>	<b>16,753</b>	<b>14,174</b>	<b>2,594,379</b>	<b>3,221,476</b>	<b>3,382,796</b>
<b>Total equity &amp; liabilities</b>	<b>1,533,731</b>	<b>1,021,584</b>	<b>1,056,709</b>	<b>5,743,303</b>	<b>5,460,429</b>	<b>5,743,474</b>
Net assets per ordinary share (Rs.)	48.67	47.88	49.67	73.33	65.51	69.21

The above figures are provisional and subject to audit.

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.)

**D.R.P. Goonetilleke**

Head of Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved & signed on behalf of the Managers,

Approved & signed on behalf of the Board,

(Sgd.)

**D.C.R. Gunawardena**

Director

(Sgd.)

**M. Selvanathan**

Director

(Sgd.)

**S.K. Shah**

Director

**Carsons Management Services (Private) Limited**

Secretaries

9th November 2009

# Statement of Changes in Equity

In Sri Lankan Rs. '000s

	Attributable to Equity Holders of the Company					Minority Shareholders' Interest	Total Equity
	Stated Capital	Capital Reserves	Revenue Reserves	Retained Profit	Total		
<b>COMPANY</b>							
Balance as at 1st April 2008	533,384	8,895	184,174	301,769	1,028,222	-	1,028,222
Adjustment for deferred tax liability	-	16	-	-	16	-	16
Profit for the period	-	-	-	39,557	39,557	-	39,557
Dividend - Ordinary	-	-	-	(62,964)	(62,964)	-	(62,964)
<b>Balance as at 30th September 2008</b>	<b>533,384</b>	<b>8,911</b>	<b>184,174</b>	<b>278,362</b>	<b>1,004,831</b>	<b>-</b>	<b>1,004,831</b>
Balance as at 1st April 2008	533,384	8,895	184,174	301,769	1,028,222	-	1,028,222
Adjustment for deferred tax liability	-	32	-	-	32	-	32
Profit for the period	-	-	-	77,245	77,245	-	77,245
Dividend - Ordinary	-	-	-	(62,964)	(62,964)	-	(62,964)
<b>Balance as at 31st March 2009 (Audited)</b>	<b>533,384</b>	<b>8,927</b>	<b>184,174</b>	<b>316,050</b>	<b>1,042,535</b>	<b>-</b>	<b>1,042,535</b>
Balance as at 1st April 2009	533,384	8,927	184,174	316,050	1,042,535	-	1,042,535
Adjustment for deferred tax liability	-	16	-	-	16	-	16
Profit for the period	-	-	-	41,854	41,854	-	41,854
Dividend - Ordinary	-	-	-	(62,964)	(62,964)	-	(62,964)
<b>Balance as at 30th September 2009</b>	<b>533,384</b>	<b>8,943</b>	<b>184,174</b>	<b>294,940</b>	<b>1,021,441</b>	<b>-</b>	<b>1,021,441</b>
<b>GROUP</b>							
Balance as at 1st April 2008	533,384	126,012	184,174	578,673	1,422,243	885,737	2,307,980
Adjustment for deferred tax liability	-	54	-	-	54	37	91
Profit/(Loss) for the period	-	-	-	15,630	15,630	(21,708)	(6,079)
Dividend - Ordinary	-	-	-	(62,964)	(62,964)	-	(62,964)
Inter-company unrealised profit	-	-	-	(39)	(39)	(37)	(76)
<b>Balance as at 30th September 2008</b>	<b>533,384</b>	<b>126,066</b>	<b>184,174</b>	<b>531,300</b>	<b>1,374,924</b>	<b>864,029</b>	<b>2,238,952</b>
Balance as at 1st April 2008	533,384	126,012	184,174	578,673	1,422,243	885,737	2,307,980
Adjustment for deferred tax liability	-	107	-	-	107	74	181
Profit for the period	-	-	-	93,187	93,187	22,347	115,534
Dividend - Ordinary	-	-	-	(62,964)	(62,964)	-	(62,964)
Inter-company unrealised profit	-	-	-	(26)	(26)	(27)	(53)
<b>Balance as at 31st March 2009 (Audited)</b>	<b>533,384</b>	<b>126,119</b>	<b>184,174</b>	<b>608,870</b>	<b>1,452,547</b>	<b>908,131</b>	<b>2,360,678</b>
Balance as at 1st April 2009	533,384	126,119	184,174	608,870	1,452,547	908,131	2,360,678
Adjustment for deferred tax liability	-	54	-	-	54	37	91
Profit for the period	-	-	-	149,344	149,344	106,712	256,056
Rights issue of subsidiary	-	-	-	-	-	595,068	595,068
Dividend - Ordinary	-	-	-	(62,964)	(62,964)	-	(62,964)
Inter-company unrealised profit	-	-	-	(3)	(3)	(2)	(5)
<b>Balance as at 30th September 2009</b>	<b>533,384</b>	<b>126,173</b>	<b>184,174</b>	<b>695,247</b>	<b>1,538,978</b>	<b>1,609,946</b>	<b>3,148,924</b>

The above figures are provisional and subject to audit.

Figures in brackets indicate deductions.

# Cash Flow Statements

In Sri Lankan Rs. '000s

	Company			Group		
	Six months ended 30.09.2009	Six months ended 30.09.2008	Year Ended 31.03.2009 (Audited)	Six months ended 30.09.2009	Six months ended 30.09.2008	Year Ended 31.03.2009 (Audited)
Net cash generated from/(used in) operating activities	15,399	(79,861)	61,037	377,625	(134,744)	60,521
Net cash used in investing activities	(604,932)	-	-	(262,084)	(183,497)	(415,885)
Net cash generated from/(used in) financing activities	92,425	(62,628)	(62,611)	665,253	(75,665)	(99,256)
Net increase/(decrease) in cash & cash equivalents	(497,108)	(142,489)	(1,574)	780,794	(393,906)	(454,620)
Cash & cash equivalents at the beginning of the year	165,120	166,694	166,694	(1,430,184)	(975,564)	(975,564)
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>(331,988)</b>	24,205	165,120	<b>(649,390)</b>	(1,369,470)	(1,430,184)
<b>Analysis of Cash &amp; Cash Equivalents</b>						
Cash & cash equivalents	8,370	24,439	165,120	123,913	189,573	239,410
	8,370	24,439	165,120	123,913	189,573	239,410
Short-term loans	-	-	-	-	(574,900)	(400,000)
Bank overdrafts	(340,358)	(234)	-	(773,303)	(984,143)	(1,269,594)
	(331,988)	24,205	165,120	(649,390)	(1,369,470)	(1,430,184)

The above figures are provisional and subject to audit.

Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1. Basis of Preparation of Financial Statements

The Financial Statements of the Company and the Group have been prepared on the basis of the same accounting policies and methods applied for the year ended 31st March 2009 and are in compliance with Sri Lanka Accounting Standard No. 35 - 'Interim Financial Reporting'.

## 2. Contingent Liabilities

### (a) Company

In January 2008 the Customs Department instituted a prosecution in the Fort Magistrate's Court (MC) against the Company and its Directors for the recovery of Rs. 48,121,634.29 comprising of Rs. 23,062,080.43 being the amount in dispute pertaining to the method of calculation of Excise (Special Provision) Duty prior to the period 2003, and Rs. 25,059,553.86 as its penalty. The Company and the Directors filed an application for Writ in the Court of Appeal (CA) to quash the Certificate of Excise Duty in default issued by the Director General of Customs and Excise Duty to recover the said sum and obtained a Stay Order in respect of the proceedings of the Fort MC case. Pending the conclusion of the CA case the Court ordered the payment of Rs. 23,062,080.43 to Sri Lanka Customs which was the amount in dispute which has been paid by the Company. However, no provision has been made for the penalty of Rs. 25,059,553.86 since the CA case is still ongoing.

### (b) Lion Brewery (Ceylon) PLC

- (1) The Customs Department instituted a prosecution in the Magistrate's Court of Kaduwela against the Company and its Directors to recover Excise Duty amounting to LKR 58,753,582/94 comprising of the disputed Excise Duty of Rs. 29,376,791/47 and its penalty of Rs. 29,376,791/47. The Company and the Directors have filed an application for Writ in the Court of Appeal to quash the Certificate Excise Duty in Default issued by the DG of Customs and Excise Duty to recover the said sum and obtained a Stay Order in respect of the proceedings of the MC Kaduwela Case No. 11303/Customs. The Court of Appeal matter is currently pending.

# Notes to the Financial Statements

- (2) There are 14 cases filed in the District Court of Balapitiya against the Company (Case Numbers 2816/M to 2819/M, 2682/MR, 3031/M to 3038/M and 3058/M) claiming damages for injuries and deaths caused due to a road accident which occurred at Induruwa, Balapitiya on 10th April 2007 involving a truck, transporting products of the Company and a passenger bus. The aggregate of all the claims of said 14 cases amounts to LKR 46,000,000/-. All the cases are currently pending.
- (3) Lion Brewery (Ceylon) PLC's contingent liabilities as at 30th September 2009 on bank guarantees given to Government bodies and foreign suppliers for operational purposes amount to Rs. 21 Mn.

Apart from the above there were no other material contingent liabilities which would require adjustments to or disclosure in the Financial Statements.

### 3. Events after the Balance Sheet Date

Subsequent to the Balance Sheet date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements.

### 4. Comparative Figures

The previous years' /periods' figures and phrases have been rearranged wherever necessary to conform to the current presentation.

### 5. Stated Capital

The Company's stated capital consists of 20,988,090 ordinary shares.

### 6. Segmental Analysis

The Company does not distinguish its products into significant components for different geographical/ business segments as the differentiations are insignificant.

### 7. Investment in Rights Issue of Subsidiary

During the period under review The Company's subsidiary, Lion Brewery (Ceylon) PLC, made a rights issue of Three (3) fully paid ordinary shares to every Five (5) ordinary shares held as at 28th August 2009 at Rs. 40/- each. The Company subscribed to its entire entitlement investing Rs. 604,931,800/- equivalent to 15,123,295 shares.

### 8. Investor Information Share Valuation

<i>For the six months ended 30th September</i>	<b>2009</b>	<b>2008</b>
Market value per share (Rs.)	<b>85.00</b>	66.25
Highest traded (Rs.)	<b>92.50</b>	70.00
Lowest traded (Rs.)	<b>52.00</b>	61.00

# Notes to the Financial Statements

## 9. Twenty Major Shareholders as at 30th September 2009

Name of Shareholder	No. of Shares	%
Carson Cumberbatch PLC	13,984,012	66.63
Carlsberg A/S	1,676,440	7.99
The Gilpin Fund Limited	1,330,220	6.34
HSBC International Nominees Limited - SNFE-Arisaig India Fund Limited	1,021,900	4.87
Ceylon Guardian Investment Trust PLC	934,900	4.45
Ceylon Investment PLC	808,000	3.85
Sri Lanka Insurance Corporation Limited - Life Fund	283,400	1.35
HSBC International Nominees Limited - SSBT-Deustche Bank	135,000	0.64
Tranz Dominion LLC	42,600	0.20
Mrs. J.K.P. Singh	37,400	0.18
Mr. H.W.M. Woodward	32,965	0.16
Freudenberg Shipping Agencies Limited	25,200	0.12
Mr. H.A. Pieris	24,500	0.12
Mr. M. Radhakrishnan	24,400	0.12
Guinness Morison International Limited	20,953	0.10
Waldock Mackenzie Limited/Mr. Lalith Prabash Hapang	19,300	0.09
Secretarial Services Limited	12,100	0.06
Mrs. N.S. Senewiratne	10,000	0.05
Mrs. L.A.S. Moldrich	9,900	0.05
Mr. N.J. Gamadia	8,786	0.04

## 10. Public Holding

Percentage of shares held by the public as at 30th September 2009 was 25.04%.

## 11. Directors' Shareholdings

As at 31st March 2009	No. of Shares
L.C.R. de C. Wijetunge (Chairman)	–
H. Selvanathan (Deputy Chairman)	690
M. Selvanathan	690
S.K. Shah	2,632
D.C.R. Gunawardena	15
P.C.P. Tissera (Resigned w.e.f. 31.03.2009)	15
J.B. Madsen (Resigned w.e.f. 01.03.2009)	–



# CORPORATE INFORMATION

## **Name of Company**

Ceylon Brewery PLC  
(A Carson Cumberbatch Company)

## **Company Registration No.**

PQ 35

## **Legal Form**

A public quoted company with limited liability,  
incorporated in Sri Lanka in 1910

## **Subsidiary Companies**

Lion Brewery (Ceylon) PLC  
CBL Retailers (Pvt) Limited

## **Parent Company**

Carson Cumberbatch PLC

## **Bankers**

Commercial Bank  
Citibank  
Deutsche Bank  
Hatton National Bank  
HSBC  
Nations Trust Bank  
Standard Chartered Bank  
Bank of Ceylon  
People's Bank

## **Legal Advisers**

Messrs F.J. & G. De Saram

## **Auditors**

Messrs KPMG Ford, Rhodes, Thornton & Co.  
Chartered Accountants

## **Managers & Secretaries**

Carsons Management Services (Private) Limited  
No. 61, Janadhipathi Mawatha  
Colombo 01, Sri Lanka  
Tel: +94 11 4739200  
Fax: +94 11 4739300  
E-Mail: carsons@carcumb.com

## **Registered Office**

No. 61, Janadhipathi Mawatha  
Colombo 01, Sri Lanka  
Tel: +94 11 4739200  
Fax: +94 11 4739300  
E-Mail: carsons@carcumb.com

## **Company Website**

[www.lionbeer.com](http://www.lionbeer.com)

## **Corporate Website**

[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)